

EX PARTE OR LATE FILED

**BELLSOUTH**  
DOCKET FILE COPY ORIGINAL

**Mary L. Henze**  
Assistant Director-Policy Analysis

Suite 900  
1133 - 21st Street, N.W.  
Washington, D.C. 20036  
202 463-4109  
Fax: 202 463-4144

July 3, 1997

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, NW, Room 222  
Washington, DC 20554

**RECEIVED**

**JUL - 3 1997**

**FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY**

Re: Federal-State Joint Board on Universal Service: CC Dkt No. 96-45

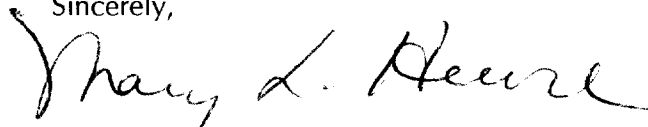
Dear Mr. Caton,

On July 2, Barbara Allgaier and BB Nugent of US West, Marvin Bailey of Ameritech, Robert Shives and Craig Unruh of SBC Communications, and Ernie Bond and the undersigned of BellSouth met with Irene Flannery and Kim Parker of the Universal Service Branch to discuss issues related to education/libraries and healthcare under the FCC's Universal Service Order. Also present via conference call were the following Joint Board staff: Roland Curry, Texas; Greg Fogleman, Florida; Charlie Bolle, South Dakota; and Brad Ramsey, NARUC.

The discussion focused on a list of questions presented by the companies in order to clarify the application of the FCC's Order to a variety of customer situations experienced in the field. The list of questions and related documents were provided to the Commission staff and are attached.

This notice is being filed today pursuant to Section 1.1206(b)(2) of the Commission's rules. If you have any questions concerning this filing, please do not hesitate to contact me.

Sincerely,



Mary L. Henze  
Assistant Director - Policy Analysis

cc: I. Flannery  
K. Parker  
R. Curry  
C. Bolle  
B. Ramsey  
G. Fogleman

No. of Copies rec'd  
List ABCDE

21

## Questions Regarding Universal Service Education/Healthcare

1. **Healthcare.** Clarify the calculation of Universal Service support for rural healthcare providers when distance sensitive charges are involved. (Paragraphs 678-81, 685)

Three scenarios:

- a. when mileage is less than Standard Urban Distance
- b. when mileage is greater than Standard Urban Distance but less than Maximum Supported Distance
- c. when mileage is greater than Maximum Supported Distance

What entity is responsible for setting the Standard Urban Distance? What entity is responsible for determining the Maximum Supported Distance? What entity is responsible for calculating "rural" and "urban" rates?

2. **Healthcare.** Clarify how the requirement for rural healthcare providers to seek competitive bids works within the context of the "urban" and "rural" rate calculations? What is the relationship between the "urban rate" and the rate actually bid/charged to a rural healthcare provider?
3. **Education/Library.** Clarify the application of rules that allow school districts, library and other consortia to "average" their discounts prior to ordering services. (See attachments) What are they averaging? Clarify the district/states ability to "compute an average discount." (Paragraph 523) If a district or state orders service based on an average discount, how do schools receive their individual benefits and who is responsible for ensuring that they do? Will there be any certification as to the appropriateness of the resulting average? How will providers be informed of the average discount and how will they be required to reflect it in their billing?
4. **Education/Library.** Clarify the definition of geographic service area and how it applies to: a) different services offered by the same company; b) the calculation of lowest corresponding price; and c) the commercial availability of services. (Paragraphs 487, 431, 434, 488)
5. **Education/Library.** What are the specific roles of states in implementing the Universal Service discount program? Other than adopting the discount matrix, what other actions are States expected or required to take? For example a) What is the role, if any, of State regulators regarding the factors for determining lowest corresponding price for intrastate services? (Paragraph 488), b) If a state has already established discount services for education and chooses to supplement them with the Federal program, which discounts are applied first? What if a state adopts its own discounts after implementation of the Order? and c) Can a state set discounts higher than the Federal discount matrix? If so, does reimbursement for the higher discount come out of the Federal fund or must the state establish a separate funding mechanism?

## Health Care Mileage Application - Less Than Standard Urban Distance

### Example 1

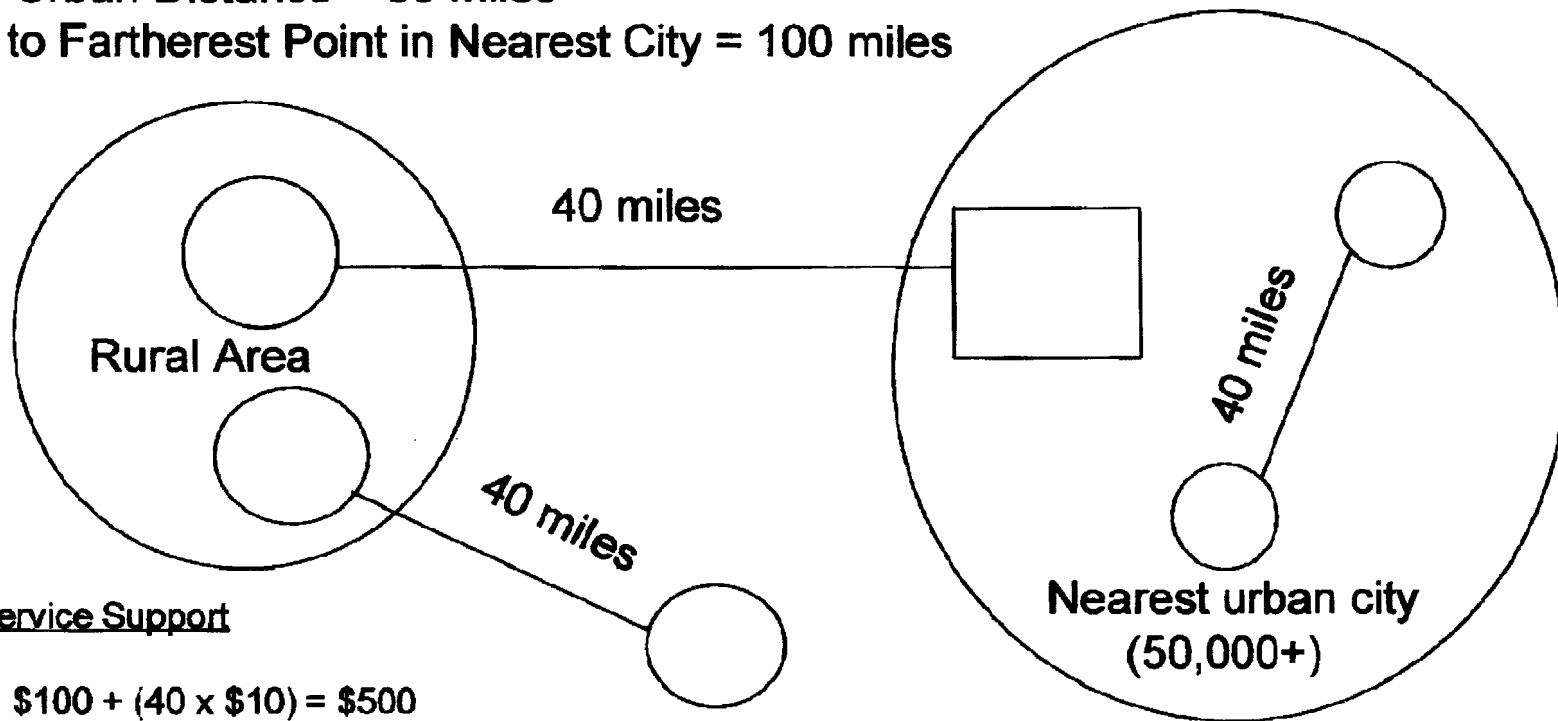
Standard Urban Distance = 50 miles

Distance to Farthestest Point in Nearest City = 100 miles

Eligible Health Care provider distance = 40 miles

Urban Rate = \$100 flat rate + \$10/mile

Comparable Rural Rate = \$120 flat rate + \$11/mile



### Universal Service Support

Urban rate:  $\$100 + (40 \times \$10) = \$500$

Comparable rural rate:  $\$120 + (40 \times \$11) = \$560$

H/C provider pays: \$500

Carrier's universal service support:  $\$560 - \$500 = \$60$

## Health Care Mileage Application - Greater Than Standard Urban Distance

### **Example 2**

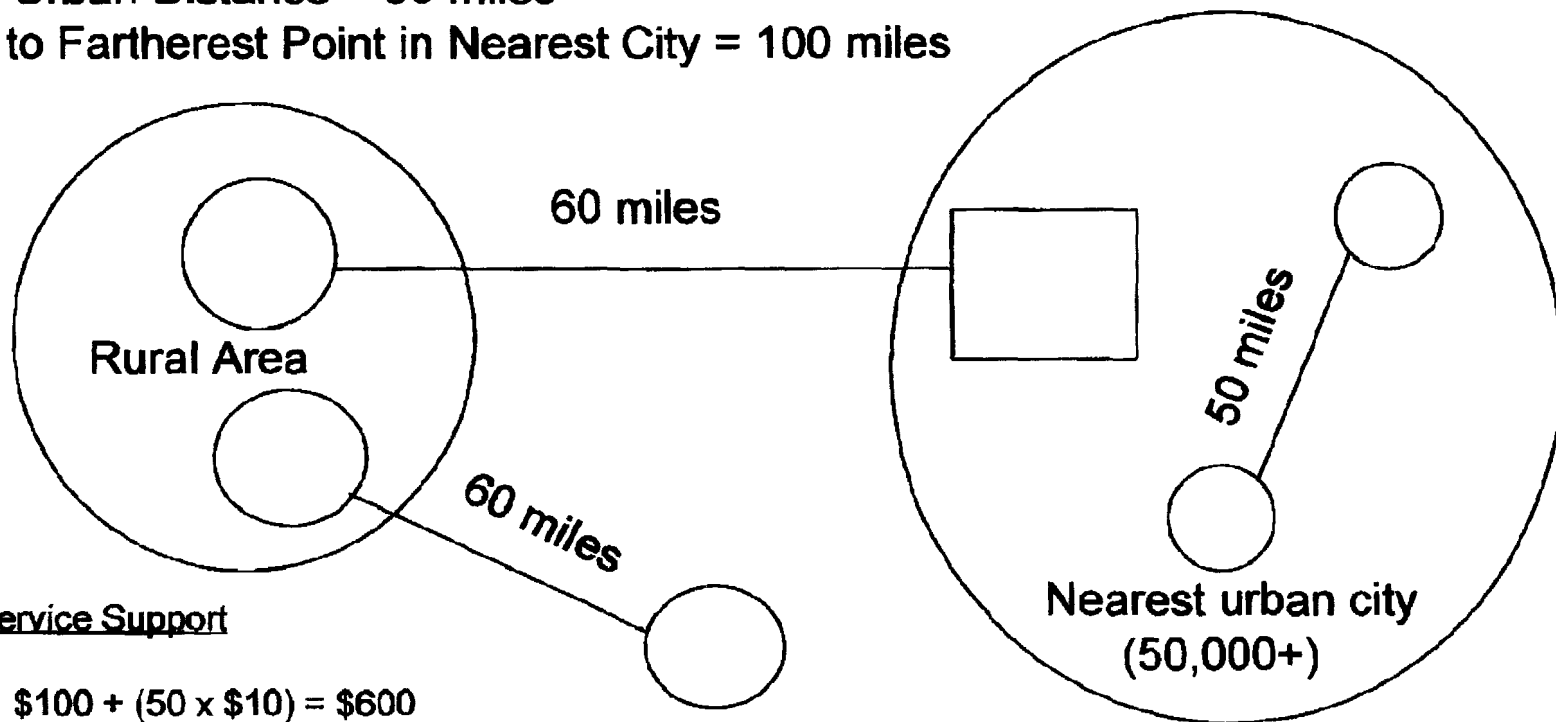
Standard Urban Distance = 50 miles

Distance to Farthest Point in Nearest City = 100 miles

Eligible Health Care provider distance = 60 miles

Urban Rate = \$100 flat rate + \$10/mile

Comparable Rural Rate = \$120 flat rate + \$11/mile



### Universal Service Support

Urban rate:  $\$100 + (50 \times \$10) = \$600$

Comparable rural rate:  $\$120 + (60 \times \$11) = \$780$

H/C provider pays: \$600

Carrier's universal service support:  $\$780 - \$600 = \$180$

## Health Care Mileage Application - Greater Than Maximum Allowable for Support

### **Example 3**

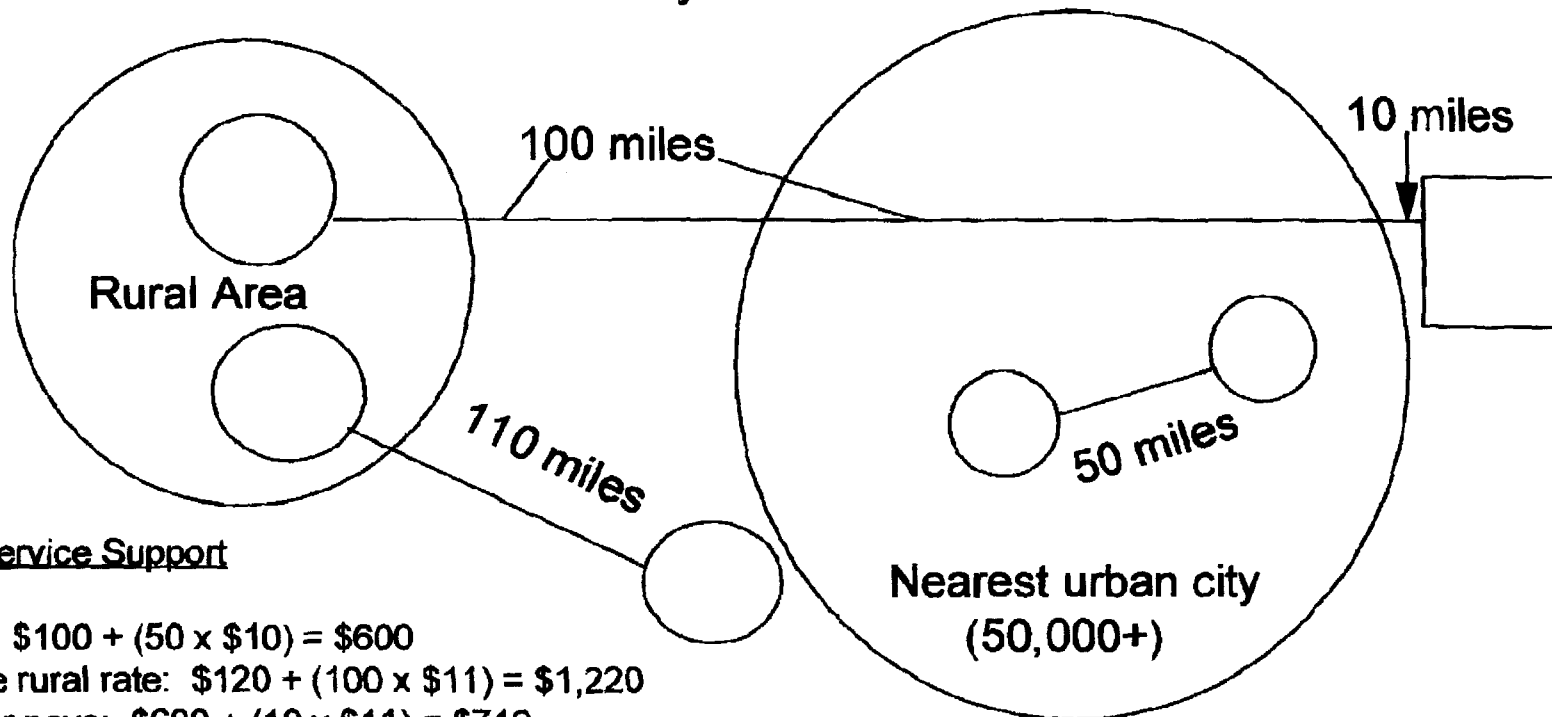
Eligible Health Care provider distance = 110 miles

Urban Rate = \$100 flat rate + \$10/mile

Comparable Rural Rate = \$120 flat rate + \$11/mile

Standard Urban Distance = 50 miles

Distance to Farthestest Point in Nearest City = 100 miles



### Universal Service Support

Urban rate:  $\$100 + (50 \times \$10) = \$600$

Comparable rural rate:  $\$120 + (100 \times \$11) = \$1,220$

H/C provider pays:  $\$600 + (10 \times \$11) = \$710$

Carrier's universal service offset:  $\$1,220 - \$600 = \$620$

RELEVANT LANGUAGE IN THE ORDER  
FOR ELIGIBLE SCHOOLS

523. *If the level of discount were instead calculated for the entire school district, a school serving a large percentage of students eligible for the national school lunch program that was located in a school district comprised primarily of more affluent schools would not benefit from the level of discount to which it would be entitled if discounts had been calculated on an individual school basis. The school district or state may decide to compute the discounts on an individual school basis or it may decide to compute an average discount; in either case, the state or the district shall strive to ensure that each school receive the full benefit of the discount to which it is entitled.*
- 54.505(b)(1) *School districts applying for eligible services on behalf of their individual schools may calculate the district-wide percentage of eligible students using a weighted average. For example, a school district would divide the total number of students in the district eligible for the national school lunch program by the total number of students in the district to compute the district-wide percentage of eligible students. Alternatively, the district could apply on behalf of individual schools and use the respective percentage discounts for which the individual schools are eligible.*

# CALCULATIONS OF SCHOOL DISTRICT DISCOUNTS HYPOTHETICAL ALPHA DISTRICT

School	# Students	# F/R Lunch Students	% of District Students	% of District F/R Lunch	% School F/R Lunch	School District
1.	600	450	60	91	75	90
2.	100	10	10	2	10	40
3.	100	10	10	2	10	40
4.	100	10	10	2	10	40
5.	<u>100</u>	<u>15</u>	<u>10</u>	<u>3</u>	<u>15</u>	<u>40</u>
	1,000	495	100	100%	49.5	?

1. If "weighted average" means the percentage of free-reduced lunch students in the district (49.5%), the discount for the district is 60 percent.

2. If weighted average is meant to be the weighted average of the discounts, based on the school's percentage of students, then the discount is 70%.

60%	of	90%	discount	=	54%
10%	of	40%	discount	=	4%
10%	of	40%	discount	=	4%
10%	of	40%	discount	=	4%
10%	of	40%	discount	=	<u>4%</u>
					70%

3. If weighted average is meant to be the weighted average of free and reduced lunch students to the total free and reduced lunch population, then the discount is 85.5%.

91%	of	90%	discount	=	81.9
2%	of	40%	discount	=	.8
2%	of	40%	discount	=	.8
2%	of	40%	discount	=	.8
3%	of	40%	discount	=	<u>1.2</u>
					85.5%

4. If the average is meant to be the simple average of discounts, then the discount for the district is 50%.

90%  
 40%  
 40%  
 40%  
40%  
 Average = 50%

5. If the average is meant to be a simple average of percent of free-reduced lunch for schools in the district, then the discount is 50%.

75%

10%

10%

10%

15%

24% = 50% discount



**RELEVANT LANGUAGE IN THE ORDER  
FOR ELIGIBLE LIBRARIES**

524. *... we agree with commenters asserting that library systems should be able to compute discounts on either an individual branch basis or based on an average of all branches within the system.*

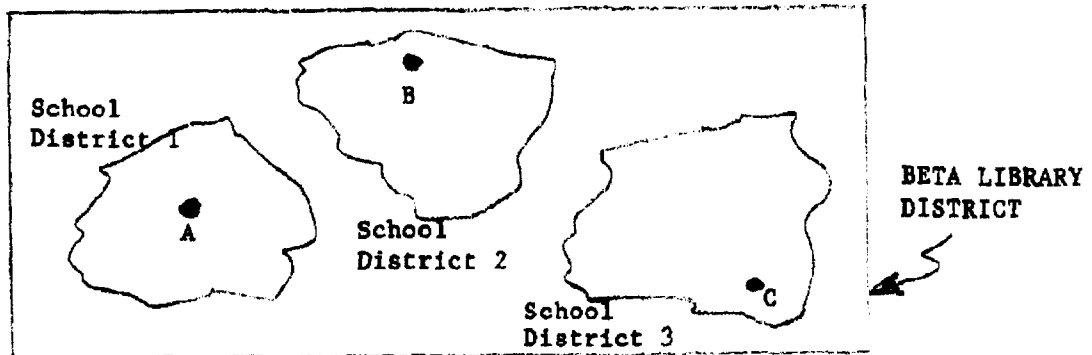
*Specifically, if individual branches within a library system are located in different school districts, we conclude that the procurement officer responsible for ordering telecommunications and other supported services for the library system must certify to the administrator the percentage of students eligible for the national school lunch program in each of the school districts in which its branches are located.*

*The library system may decide to compute the discounts on an individual branch library basis or it may decide to compute an average discount; in either case, the library system shall strive to ensure that each library receive the full benefit of the discount to which it is entitled.*

- 54.505(b)(2) *Library systems applying for discounted services or facilities on behalf of their individual branches shall calculate the system-wide percentage of eligible families using an unweighted average based on the percentage of the student enrollment that is eligible for a free or reduced price lunch under the national school lunch program in the public school district in which they are located for each of their branches or facilities.*

525. *Each library consortium may compute the discounts on the basis of the school district in which each consortium member is located or it may compute an average discount; in either case, each library consortium shall strive to ensure that each of its members receives the full benefit of the discount to which it is entitled.*

**BETA LIBRARY DISTRICT WITH THREE BRANCHES, A, B, C,  
EACH SERVING A DISTINCT SCHOOL DISTRICT**



	<u>% F/R for School District</u>	<u>% Discount</u>	<u>% of Total Students</u>	<u>% F/R Lunch Students</u>
A	10	40	15	3
B	40	60	15	10
C	<u>75</u>	<u>90</u>	<u>70</u>	<u>87</u>
TOTAL	57	?	100	100

1. The language appears to require a simple, not a weighted, average. If the average of the discounts is used, the discount average is 63.3 percent.

$$\begin{array}{r} 40 \\ 60 \\ \hline 90 \\ \text{Average} = \end{array} 63.3\%$$

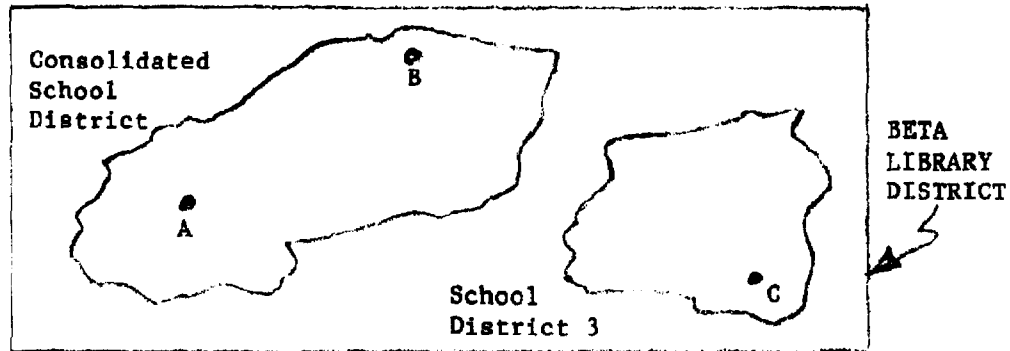
2. If the average is to be calculated based on the percentage of students eligible for free and reduced lunch, then the discount is 60 percent.

$$\begin{array}{r} 10 \\ 40 \\ \hline 75 \\ \text{Average} \end{array} 41.7\% \quad \text{Discount} = 60\%$$

3. If the average is to be weighted, then we enter into the same problem as the schools: weighting what to what?

**SCHOOL DISTRICTS A & B CONSOLIDATED, SO  
LIBRARY BRANCHES A, B ARE NOW SERVED  
BY A SINGLE DISTRICT**

**WHAT'S THE EFFECT?**



	District%		% of Total	% F/R
	F/R Lunch	% Discount	Students	Lunch
(10%) A	25	50	15	3
(40%) B	25	50	15	10
C	75	90	70	87

1. Average of students eligible for free/reduced lunch for district.

A	25
B	25
C	<u>75</u>
	41.7% Discount = 60%

2. Average of discounts

50
50
<u>90</u>
63.3%